

ABU DHABI COMMERCIAL BANK P.J.S.C.

**Review report and condensed consolidated interim financial
information for the six month period ended June 30, 2012**

ABU DHABI COMMERCIAL BANK P.J.S.C.

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for the six month period ended June 30, 2012**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Abu Dhabi Commercial Bank P.J.S.C.
Abu Dhabi, U.A.E.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as "the Bank") as of June 30, 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34)". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Jacques Fakhoury', is written over a light blue circular stamp.

Jacques Fakhoury
Registration Auditor Number 379
July 24, 2012

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W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Condensed consolidated interim statement of financial position
as at June 30, 2012

	Notes	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	3	6,710,427	6,629,945
Deposits and balances due from banks	4	16,801,496	20,839,932
Trading securities	5	56,868	15,755
Loans and advances, net	6	123,462,557	124,754,737
Derivative financial instruments	7	4,678,456	4,844,764
Investment securities	8	18,259,166	15,052,103
Investment in associates	9	89,323	81,817
Investment properties	10	653,846	396,912
Other assets	11	9,212,519	10,021,494
Property and equipment, net		764,576	964,518
Intangible assets		107,889	123,653
Total assets		180,797,123	183,725,630
LIABILITIES			
Due to Central Banks		-	48,100
Due to banks	12	2,113,485	3,090,386
Euro commercial paper	13	3,866,837	716,652
Deposits from customers	14	111,247,360	109,170,825
Short and medium term borrowings	15	25,352,885	30,808,557
Derivative financial instruments	7	4,899,522	4,821,568
Long term borrowings	16	770,230	1,088,452
Other liabilities	17	9,812,272	11,903,567
Total liabilities		158,062,591	161,648,107
EQUITY			
Share capital	18	5,595,597	5,595,597
Share premium	18	3,848,286	3,848,286
Statutory and legal reserves		3,309,351	3,309,351
General and contingency reserves		2,150,000	2,150,000
Employees' incentive plan shares, net		(118,751)	(104,595)
Foreign currency translation reserve		(36,940)	(27,521)
Hedge reserve		3,557	(2,581)
Cumulative changes in fair values		(26,330)	(404,758)
Retained earnings		4,002,620	3,708,227
Capital notes	19	4,000,000	4,000,000
Equity attributable to equity holders of the parent		22,727,390	22,072,006
Non-controlling interests		7,142	5,517
Total equity		22,734,532	22,077,523
Total liabilities and equity		180,797,123	183,725,630



Eissa Al Suwaidi
Chairman



Ala'a Eraiqat
Chief Executive Officer



Deepak Khullar
Chief Financial Officer

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim income statement (unaudited)
for the six month period ended June 30, 2012

	Notes	3 months ended June 30		6 months ended June 30	
		2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Interest income	20	1,966,826	1,757,163	3,794,692	3,573,359
Interest expense	21	(588,140)	(767,208)	(1,228,672)	(1,669,207)
Net interest income		1,378,686	989,955	2,566,020	1,904,152
Income from Islamic financing		76,874	88,346	161,529	165,770
Islamic profit distribution		(72,288)	(42,652)	(149,125)	(108,593)
Net income from Islamic financing		4,586	45,694	12,404	57,177
Total net interest and Islamic financing income		1,383,272	1,035,649	2,578,424	1,961,329
Net fees and commission income	22	269,922	246,987	518,981	509,543
Net trading income	23	74,804	104,663	176,841	206,432
Other operating income		41,299	34,555	78,847	70,545
Operating income		1,769,297	1,421,854	3,353,093	2,747,849
Staff costs		(308,319)	(315,304)	(600,428)	(514,843)
Depreciation		(32,644)	(36,876)	(65,431)	(72,977)
Amortisation of intangible assets		(7,882)	(7,020)	(15,764)	(14,040)
Other operating expenses		(188,077)	(200,809)	(360,869)	(385,227)
Operating expenses		(536,922)	(560,009)	(1,042,492)	(987,087)
Operating profit before impairment allowances		1,232,375	861,845	2,310,601	1,760,762
Impairment allowance on loans and advances, net	6	(461,932)	(738,194)	(749,368)	(1,063,693)
Other impairment allowances	24	(30,092)	(196,596)	(29,357)	(270,240)
Share of (loss)/profit of associates	9	(4,591)	91,474	7,506	175,850
Net gain on sale of investment in associate		-	1,314,315	-	1,314,315
Profit before taxation		735,760	1,332,844	1,539,382	1,916,994
Overseas income tax (expense)/ refund		(2,621)	2,562	(4,245)	972
Net profit for the period		733,139	1,335,406	1,535,137	1,917,966

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim income statement (unaudited)
for the six month period ended June 30, 2012 (continued)**

	Notes	3 months ended June 30		6 months ended June 30	
		2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Attributed to:					
Equity holders of the parent		733,282	1,334,943	1,533,512	1,909,343
Non-controlling interests		(143)	463	1,625	8,623
Net profit for the period		733,139	1,335,406	1,535,137	1,917,966
Basic earnings per share (AED)	25	0.13	0.24	0.26	0.33
Diluted earnings per share (AED)	25	0.13	0.24	0.25	0.32

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of comprehensive income (unaudited)
for the period ended June 30, 2012**

	3 months ended June 30		6 months ended June 30	
	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	733,139	1,335,406	1,535,137	1,917,966
Exchange difference arising on translation of foreign operations	(18,474)	(41,379)	(9,419)	61,407
Fair value changes on cash flow hedges on financial assets	3,550	564	6,138	564
Fair value changes on net investment in foreign operation hedges	-	10,943	-	(66,561)
Fair value changes on available for sale investments	101,419	(56,693)	374,879	(160,005)
Fair value changes reversed on disposal/impairment of available for sale investments	429	(35)	3,549	(129)
Share in other comprehensive income statement items of associate	-	-	-	(19,098)
Reversal of related reserve balances on disposal of associate	-	399,309	-	399,309
Reversal of share in other comprehensive income statement items of associate on disposal of associate	-	(59,050)	-	(59,050)
Total comprehensive income for the period	820,063	1,589,065	1,910,284	2,074,403
Attributed to:				
Equity holders of the parent	820,206	1,588,602	1,908,659	2,065,780
Non-controlling interests	(143)	463	1,625	8,623
Total comprehensive income for the period	820,063	1,589,065	1,910,284	2,074,403

The accompanying notes form an integral part of this condensed consolidated interim financial information.

ABU DHABI COMMERCIAL BANK P.J.S.C.

**Condensed consolidated interim statement of changes in equity (unaudited)
for the six month period ended June 30, 2012**

	Share Capital AED'000	Share premium AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the parent AED'000	Non - controlling interests AED'000	Total equity AED'000
Balance at January 1, 2012	5,595,597	3,848,286	1,677,069	1,632,282	2,000,000	150,000	(104,595)	(27,521)	(2,581)	(404,758)	3,708,227	4,000,000	22,072,006	5,517	22,077,523
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1,533,512	-	1,533,512	1,625	1,535,137
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(9,419)	-	-	-	-	(9,419)	-	(9,419)
Fair value changes on cash flow hedges on financial assets	-	-	-	-	-	-	-	-	6,138	-	-	-	6,138	-	6,138
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	374,879	-	-	374,879	-	374,879
Fair value changes reversed on disposal/impairment of available for sale investments	-	-	-	-	-	-	-	-	-	3,549	-	-	3,549	-	3,549
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	-	(9,419)	6,138	378,428	1,533,512	-	1,908,659	1,625	1,910,284
Dividends paid to shareholders (Note 18)	-	-	-	-	-	-	-	-	-	-	(1,119,119)	-	(1,119,119)	-	(1,119,119)
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Shares purchased	-	-	-	-	-	-	(40,000)	-	-	-	-	-	(40,000)	-	(40,000)
Shares - vested portion	-	-	-	-	-	-	25,844	-	-	-	-	-	25,844	-	25,844
Balance at June 30, 2012	5,595,597	3,848,286	1,677,069	1,632,282	2,000,000	150,000	(118,751)	(36,940)	3,557	(26,330)	4,002,620	4,000,000	22,727,390	7,142	22,734,532

The accompanying notes form an integral part of this condensed consolidated interim financial information.

ABU DHABI COMMERCIAL BANK P.J.S.C.

**Condensed consolidated interim statement of changes in equity (unaudited)
for the six month period ended June 30, 2012 (continued)**

	Share capital AED'000	Share premium AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Hedge reserve AED'000	Cumulative changes in fair values AED'000	Other reserve AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Equity attributable to equity holders of the parent AED'000	Non - controlling interests AED'000	Total equity AED'000
Balance at January 1, 2011	4,810,000	-	1,374,483	1,329,696	2,000,000	150,000	(36,677)	136,676	(537,904)	174,799	5,630	1,524,201	4,000,000	4,633,883	19,564,787	8,561	19,573,348
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,909,343	-	-	1,909,343	8,623	1,917,966
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	61,407	-	-	-	-	-	-	61,407	-	61,407
Fair value changes of cash flow hedges of financial assets	-	-	-	-	-	-	-	-	564	-	-	-	-	-	564	-	564
Fair value changes on net investment in foreign operation hedges	-	-	-	-	-	-	-	-	(66,561)	-	-	-	-	-	(66,561)	-	(66,561)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	-	(160,005)	-	-	-	-	(160,005)	-	(160,005)
Fair value changes reversed on disposal / impairment of available for sale investments	-	-	-	-	-	-	-	-	-	(129)	-	-	-	-	(129)	-	(129)
Share in other comprehensive income statement items of associate	-	-	-	-	-	-	-	763	-	(20,072)	211	-	-	-	(19,098)	-	(19,098)
Reversal of related reserve balances on disposal of associate	-	-	-	-	-	-	-	(205,156)	604,465	-	-	-	-	-	399,309	-	399,309
Reversal of share in other comprehensive income statement items of associate on disposal of associate	-	-	-	-	-	-	-	-	-	(53,209)	(5,841)	-	-	-	(59,050)	-	(59,050)
Total comprehensive (loss) / profit for the period	-	-	-	-	-	-	-	(142,986)	538,468	(233,415)	(5,630)	1,909,343	-	-	2,065,780	8,623	2,074,403
Shares issued on conversion of MCS (Note 18)	785,597	3,848,286	-	-	-	-	-	-	-	-	-	-	(4,633,883)	-	-	-	-
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	-	-	(116,667)	-	-	(116,667)	-	(116,667)
Shares purchased	-	-	-	-	-	-	(60,800)	-	-	-	-	-	-	-	(60,800)	-	(60,800)
Shares – vested portion	-	-	-	-	-	-	19,002	-	-	-	-	-	-	-	19,002	-	19,002
Balance at June 30, 2011	5,595,597	3,848,286	1,374,483	1,329,696	2,000,000	150,000	(78,475)	(6,310)	564	(58,616)	-	3,316,877	4,000,000	-	21,472,102	17,184	21,489,286

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of cash flows (unaudited)
for the six month period ended June 30, 2012**

	6 months ended June 30	
	2012	2011
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before tax and non-controlling interests	1,539,382	1,916,994
Adjustments for:		
Depreciation	65,431	72,977
Amortisation of intangible assets	15,764	14,040
Dividends income	(10)	(324)
Impairment allowance on loans and advances	859,654	1,178,689
Recovery of doubtful loans and advances	(110,286)	(114,996)
Discount unwind	(63,874)	(115,453)
Loss on credit default swaps	-	266,567
Impairment allowance on investment securities	8,020	3,673
Impairment allowance on property and equipment, net	21,337	-
Realised and unrealised net gain from available for sale and trading securities	(21,622)	(26,247)
Share of profit of associates, net	(7,506)	(175,850)
Imputed interest on mandatory convertible securities	-	(29,131)
Net gain on sale of investment in associate	-	(1,314,315)
Ineffective portion of hedges	(26,441)	(9,998)
Employees' incentive plan benefit expense	25,844	19,002
	<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities	2,305,693	1,685,628
Increase in balance with Central Bank	-	(100,000)
Increase in due from banks	(3,276,183)	(3,314,520)
Decrease in net trading derivative financial instruments	90,450	123,708
Decrease in loans and advances	606,687	4,393,524
(Increase)/decrease in other assets	(125,723)	250,017
Decrease in due to banks	(321,464)	(1,292,498)
Increase in Euro commercial paper	3,150,185	-
Increase in deposits from customers	2,075,908	341,988
Decrease in other liabilities	(1,170,261)	(174,510)
	<hr/>	<hr/>
Net cash from operations	3,335,292	1,913,337
INVESTING ACTIVITIES		
Dividends received from associate	-	36,697
Dividends income	10	324
Recovery of investment securities written off	1,923	-
Purchase of available for sale investment securities	(3,211,767)	(6,144,077)
Net proceeds from disposal of available for sale investment securities	385,908	88,631
Net purchase of trading securities	(13,963)	-
Additions to investment properties	(74,404)	(28,767)
Purchase of property and equipment, net	(69,356)	(54,894)
	<hr/>	<hr/>
Net cash used in investing activities	(2,981,649)	(6,102,086)
FINANCING ACTIVITIES		
Net repayment of short and medium term borrowings	(5,626,445)	(2,085,766)
Dividends paid to equity shareholders	(1,119,119)	-
Capital notes coupon paid	(120,000)	(116,667)
Purchase of employees' incentive plan shares	(40,000)	(60,800)
	<hr/>	<hr/>
Net cash used in financing activities	(6,905,564)	(2,263,233)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(6,551,921)	(6,451,982)
Cash and cash equivalents at the beginning of the period	19,261,633	16,676,284
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Cash and cash equivalents at the end of the period	12,709,712	10,224,302
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The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Condensed consolidated interim statement of cash flows (unaudited)
for the six month period ended June 30, 2012 (continued)**

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise the following statement of financial position amounts:

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Cash and balances with Central Banks	6,710,427	6,629,945
Deposits and balances due from banks	16,801,496	20,839,932
Due to Central Banks	-	(48,100)
Due to banks	(2,113,485)	(3,090,386)
	21,398,438	24,331,391
Less: Deposits and balances due from banks and cash and balances with Central Banks - maturity more than 3 months	(8,785,748)	(5,509,565)
Add: Due to banks - maturity more than 3 months	97,022	439,807
	12,709,712	19,261,633

The accompanying notes form an integral part of this condensed consolidated interim financial information.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012****1 General**

Abu Dhabi Commercial Bank P.J.S.C. ("ADCB") is a public joint stock company with limited liability incorporated in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.). ADCB is principally engaged in the business of retail banking, commercial banking and Islamic banking and provision of other financial services through its network of forty eight branches and four pay offices in the U.A.E., two branches in India and one offshore branch in Jersey, its subsidiaries and associates.

The registered head office of ADCB is at Abu Dhabi Commercial Bank Head Office Building, Salam Street, Plot C- 33, Sector E-11, P. O. Box 939, Abu Dhabi, U.A.E.

ADCB is registered as a public joint stock company in accordance with the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended).

2 Summary of significant accounting policies**2.1 Basis of preparation**

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 "Interim Financial reporting". It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Bank's consolidated financial statements for the year ended December 31, 2011 except for note 13 and 14 where a certain item has been reclassified from the Bank's prior year financial statements to conform to the current period's presentation and improve the transparency of certain line items.

For details of related party balances and transactions, refer to Note 34 in the consolidated financial statements for the year ended December 31, 2011. The related party balances and transactions in 2012 are similar in nature and magnitude. Note 6 provides the details of lending exposure to Government entities.

The results for the three and six months periods ended June 30, 2012 are not necessary indicative of the results that may be expected for the financial year ending December 31, 2012.

This condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirhams (AED) which is the Bank's functional and presentation currency and are rounded off to the nearest thousand ("000") unless otherwise indicated.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated October 12, 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated interim financial information.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of the condensed consolidated interim financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The main areas of judgments, estimates and assumptions applied in the condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Bank's consolidated financial statements for the year ended December 31, 2011.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 New and revised IFRSs effective for accounting periods beginning January 1, 2012

There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning January 1, 2012 that have had a material impact on Bank's condensed consolidated interim financial information.

2.2.2 Standards and Interpretations in issue not yet effective

The Bank has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
Amendments to IAS 1, Presentation of Financial Statements - revise the way other comprehensive income is presented, with grouping of items on the basis of whether they are potentially reclassifiable to profit and loss subsequently.	July 1, 2012
Amendments to disclosure requirements in IFRS 7 Financial Instruments: Disclosures - requires information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.	January 1, 2013
Amendments to IAS 19, Employee Benefits — Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects, requiring recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, with all actuarial gains and losses recognized immediately through other comprehensive income.	January 1, 2013

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

2 Summary of significant accounting policies (continued)

**2.2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2.2 Standards and Interpretations in issue not yet effective (continued)

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
Annual Improvements 2009-2011 Cycle made amendments to the following standards:	January 1, 2013
<ul style="list-style-type: none"> - IFRS 1 — Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets, requiring an entity to measure government loans with a below market rate of interest at fair value on initial recognition - IAS 1 — Clarification of the requirements for comparative information - IAS 16 — Classification of servicing equipment - IAS 32 — Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes - IAS 34 — Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments 	
IAS 27, Separate Financial Statements (revised 2011) and IAS 28, Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10 and IFRS 11.	January 1, 2013
IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation that is control, for which a new definition has been included.	January 1, 2013
IFRS 11, Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. It deals with how a joint arrangement of which two or more parties have joint control should be classified and requires that joint ventures are accounted for using the equity method of accounting.	January 1, 2013
IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates. In general, the disclosure requirements are more extensive than the current standards.	January 1, 2013

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

2 Summary of significant accounting policies (continued)

**2.2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2.2 Standards and Interpretations in issue not yet effective (continued)

	Effective for annual periods beginning on or after
New Standards and amendments to Standards:	
IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and improving disclosure requirements for use across IFRSs.	January 1, 2013
The amendments to IAS 32, Financial Instruments: Presentation – The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity will have a legally enforceable right to set off only if it is non-contingent in nature and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.	January 1, 2014
IFRS 9, Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39)	January 1, 2015

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Management anticipates that these IFRSs and amendments will be adopted in the initial period when they become mandatorily effective. An initial assessment of the potential impact indicates that application of most of these standards is not expected to have significant impact on amounts reported in the financial statements, but it is expected that additional disclosures will be required. The Bank is yet to assess IFRS 9's full impact, particularly as the hedging and impairment aspects of IFRS 9 are still outstanding and intends to adopt IFRS 9 in the initial period when they become mandatorily effective.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)****2.3 Basis of consolidation**

This condensed consolidated interim financial information incorporates the financial statements of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries and the attributable share of the results and reserves of its associates (collectively referred to as the "ADCB" or the "Bank"). The entities controlled by the Bank have been treated as subsidiaries. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. All inter-company balances, income and expense items are eliminated on consolidation.

Changes in the Bank's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

A Special Purpose Entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Bank and the SPE's risks and rewards, the Bank concludes that it controls the SPE.

The assessment of whether the Bank has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Bank and the SPE except whenever there is a change in the substance of the relationship between the Bank and an SPE.

The Bank manages and administers assets held in unit trusts on behalf of investors without recourse to the assets. The financial statements of these entities are not included in this condensed consolidated financial information except when the Bank controls the entity.

Upon the loss of control, the Bank derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the condensed consolidated income statement. If the Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Bank's accounting policy for financial instruments depending on the level of influence retained.

This condensed consolidated interim financial information also includes the attributable share of the results and reserves of associates.

2.4 Trading and Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss or available for sale.

Investment securities are classified into the following categories depending on the nature and purpose of the investment:

- i) Investments at fair value through profit or loss;
- ii) Available for sale and
- iii) Held-to-maturity investments.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012** (continued)**2 Summary of significant accounting policies** (continued)**2.4 Trading and Investment securities** (continued)**Investments designated at fair value through profit or loss (FVTPL)**

Investments are classified as at FVTPL when either held for trading or when designated as at FVTPL.

An investment is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

An investment other than held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- It forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Investments at FVTPL are stated at fair value, with any gains or losses arising on re-measurement are recognised in condensed consolidated interim income statement. The fair values are based on current prices in active markets.

Held-to-maturity

Investments which have fixed or determinable payments with fixed maturities which the Bank has the positive intention and ability to hold to maturity, are classified as held to maturity investments.

Held-to-maturity investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses, with revenue recognised on an effective yield basis.

Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method. Any gain or loss on such investments is recognised in the condensed consolidated interim income statement when the investment is derecognised or impaired.

If there is objective evidence that an impairment on held-to-maturity investments carried at amortised cost has been incurred, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective interest rate, with the resulting impairment loss, if any, in the condensed consolidated interim income statement.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Held-to-maturity (continued)**

Investments classified as held to maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to interest rate or prepayment risk, reflecting the longer-term nature of these investments.

Available for sale

Investments not classified as either "fair value through profit or loss" or "held to maturity" are classified as "available for sale". Available for sale assets are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in interest rates, commodity prices or equity prices.

Available for sale investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value. The fair values of quoted financial assets in active markets are based on current prices. If the market for a financial asset is not active, and for unquoted securities, the Bank establishes fair value by using valuation techniques (e.g. recent arms length transactions, discounted cash flow analysis and other valuation techniques). Only in very rare cases where fair value cannot be measured reliably, investments are carried at cost and tested for impairment, if any.

Gains and losses arising from changes in fair value are recognised in the condensed consolidated comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated interim income statement. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair values is included in the condensed consolidated interim income statement for the period.

If an available for sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the condensed consolidated interim income statement, is removed from equity and recognised in the condensed consolidated interim income statement. Once an impairment loss has been recognised on an available for sale financial asset, the subsequent accounting treatment for changes in the fair value of that asset differs depending on the nature of the available-for-sale financial asset concerned.

For an available for sale debt security, a subsequent decline in the fair value of the instrument is recognised in the condensed consolidated interim income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset.

Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)****2 Summary of significant accounting policies (continued)****2.4 Trading and Investment securities (continued)****Available for sale (continued)**

- If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated interim income statement, the impairment loss is reversed through the condensed consolidated interim income statement to the extent of the increase in fair value;
- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in condensed consolidated other comprehensive income statement, accumulating in equity. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the condensed consolidated interim income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

Reclassifications

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of investment securities

The Bank derecognizes an investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

2.5 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is reflected at fair value. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller at an arm's length transaction. The fair value is determined on periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the condensed consolidated interim income statement in the period in which these gains or losses arise.

Investment properties under development that are being constructed or developed for future use as investment property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development are measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the income statement in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

3 Cash and balances with Central Banks

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Cash on hand	346,170	547,769
Balances with Central Banks (*)	5,364,257	5,082,176
Certificate of deposits with Central Bank	1,000,000	1,000,000
	<u>6,710,427</u>	<u>6,629,945</u>

(*) Balances with Central Banks include reserve requirements of AED 5,166,545 thousand as at June 30, 2012 (December 31, 2011 – AED 5,053,934 thousand) with the Central Bank of the U.A.E.

The geographical concentration is as follows:

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Within the U.A.E.	6,680,935	6,601,201
Outside the U.A.E.	29,492	28,744
	<u>6,710,427</u>	<u>6,629,945</u>

4 Deposits and balances due from banks

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Current and demand deposits	300,540	257,728
Placements	14,723,408	17,592,265
Murabaha placements	1,300,000	2,249,000
Wakala placements	477,548	740,939
	<u>16,801,496</u>	<u>20,839,932</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

4 Deposits and balances due from banks (continued)

The geographical concentration is as follows:

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Within the U.A.E.	9,166,194	12,798,544
Outside the U.A.E.	7,635,302	8,041,388
	16,801,496	20,839,932

5 Trading securities

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Quoted within the U.A.E.	47,897	15,755
Quoted outside the U.A.E.	8,971	-
	56,868	15,755

Trading securities represent investments in public sector bonds. The fair value of these investments is based on quoted market prices. The bonds yield a fixed coupon rate in the range of 5.89% - 7% per annum.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

6 Loans and advances, net

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Overdrafts (Retail and Corporate)	8,913,514	9,949,513
Corporate loans	100,625,999	101,565,326
Retail loans	12,703,336	12,303,074
Credit cards	2,133,853	2,133,144
Islamic financing	4,090,312	3,749,732
Other facilities	1,081,739	765,824
	129,548,753	130,466,613
Less: Allowance for impairment	(6,086,196)	(5,711,876)
	123,462,557	124,754,737

Islamic financing balances include the following:

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Murabaha	634,827	565,975
Ijara financing	651,392	651,970
Mudaraba	209,783	154,578
Salam	2,537,197	2,324,991
Others	57,113	52,218
	4,090,312	3,749,732
Less: Allowance for impairment	(17,579)	(20,942)
	4,072,733	3,728,790

The Bank hedges certain variable rate loans and advances for interest rate risk through interest rate swaps and designates these instruments as cash flow hedges. The positive fair value of these hedge contracts at June 30, 2012 was AED 3,483 thousand (December 31, 2011: AED Nil).

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

6 Loans and advances, net (continued)

Movement of the individual and collective impairment allowance on loans and advances is as follows:

	As at June 30, 2012 (unaudited)			As at December 31, 2011 (audited)		
	Individual impairment	Collective impairment	Total	Individual Impairment	Collective impairment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At January 1	3,652,804	2,059,072	5,711,876	4,653,146	1,643,291	6,296,437
Charge for the period/year	565,208	294,446	859,654	1,886,939	416,167	2,303,106
Recoveries during the period/year	(110,286)	-	(110,286)	(220,746)	-	(220,746)
Net charge for the period/year	454,922	294,446	749,368	1,666,193	416,167	2,082,360
Discount unwind	(63,874)	-	(63,874)	(177,216)	-	(177,216)
Net amounts written off	(310,852)	-	(310,852)	(2,487,492)	-	(2,487,492)
Currency translation	(227)	(95)	(322)	(1,827)	(386)	(2,213)
Balance at	3,732,773	2,353,423	6,086,196	3,652,804	2,059,072	5,711,876

The industry sector composition of the loans and advances portfolio is as follows:

Industry sector	As at June 30, 2012 (unaudited)			As at December 31, 2011 (audited)		
	Within the U.A.E.	Outside the U.A.E.	Total	Within the U.A.E.	Outside the U.A.E.	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Agriculture	9,714	-	9,714	9,084	-	9,084
Energy	10,173,946	356,105	10,530,051	10,840,212	362,316	11,202,528
Trading	916,427	24,526	940,953	794,618	15,080	809,698
Contractor finance	2,273,070	227,454	2,500,524	1,555,354	64,902	1,620,256
Development & construction	23,864,479	94,976	23,959,455	24,088,820	98,410	24,187,230
Real estate investment	13,155,712	60,091	13,215,803	12,364,945	191,045	12,555,990
Transport	1,324,347	489,910	1,814,257	2,136,234	512,684	2,648,918
Personal - retail	17,890,952	16,851	17,907,803	16,939,914	13,362	16,953,276
Personal - collateralised	12,498,274	302,388	12,800,662	15,360,649	370,741	15,731,390
Government	1,958,880	-	1,958,880	2,916,734	-	2,916,734
Financial institutions (*)	7,530,905	1,454,276	8,985,181	7,837,634	1,315,783	9,153,417
Manufacturing	1,778,345	208,390	1,986,735	1,917,252	123,940	2,041,192
Services	30,992,645	1,946,090	32,938,735	28,484,388	2,152,512	30,636,900
	124,367,696	5,181,057	129,548,753	125,245,838	5,220,775	130,466,613
Less: Allowance for impairment			(6,086,196)			(5,711,876)
Total			123,462,557			124,754,737

(*) includes investment companies.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

6 Loans and advances, net (continued)

The Bank entered into repurchase agreements whereby loans are pledged and held by counter parties as collateral. The risks and rewards relating to the loans pledged will remain with the Bank. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at June 30, 2012 (unaudited)		As at December 31, 2011 (audited)	
	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase agreements	<u>4,756,807</u>	<u>2,358,230</u>	<u>4,756,807</u>	<u>2,358,230</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

7 Derivative financial instruments

The fair values of derivative financial instruments held are set out below:

	Fair values	
	Assets AED'000	Liabilities AED'000
As at June 30, 2012 (unaudited)		
Derivatives held for trading:		
Foreign exchange contracts	80,373	71,631
Interest rate and cross currency swaps	4,012,871	4,109,576
Options	195,860	169,338
Futures	-	953
Commodity and energy swaps	11,068	10,798
Swaptions	12,173	12,173
	<hr/>	<hr/>
	4,312,345	4,374,469
Derivatives held as fair value hedges:		
Interest rate and cross currency swaps	309,380	453,750
Derivatives held as cash flow hedges:		
Interest rate swaps	3,869	-
Forward foreign exchange contracts	52,862	71,303
	<hr/>	<hr/>
	4,678,456	4,899,522
	<hr/> <hr/>	<hr/> <hr/>
	Fair values	
	Assets AED'000	Liabilities AED'000
As at December 31, 2011 (audited)		
Derivatives held for trading:		
Foreign exchange contracts	110,015	96,112
Interest rate and cross currency swaps	4,070,651	4,050,688
Options	166,578	173,714
Futures	354	227
Commodity and energy swaps	23,067	21,835
Swaptions	5,903	5,666
	<hr/>	<hr/>
	4,376,568	4,348,242
Derivatives held as fair value hedges:		
Interest rate and cross currency swaps	468,196	444,350
Derivatives held as cash flow hedges:		
Interest rate swaps	-	2,714
Forward foreign exchange contracts	-	26,262
	<hr/>	<hr/>
	4,844,764	4,821,568
	<hr/> <hr/>	<hr/> <hr/>

The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 26,441 thousand (six month period ended June 30, 2011 – net gains of AED 9,998 thousand) have been recognised in the condensed consolidated interim income statement under “ Net gains on dealing in derivatives”(Note 23).

Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)

8 Investment securities

As at June 30, 2012 (unaudited)				
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	275,475	-	-	275,475
Equity instruments	391	-	-	391
Bonds	5,478,148	1,071,150	7,422,149	13,971,447
Mutual funds	36,205	-	-	36,205
Government securities	2,313,853	1,144,314	248,697	3,706,864
Total Quoted	8,104,072	2,215,464	7,670,846	17,990,382
Unquoted:				
Equity instruments	177,881	-	673	178,554
Mutual funds	90,230	-	-	90,230
Total Unquoted	268,111	-	673	268,784
Total available for sale investments	8,372,183	2,215,464	7,671,519	18,259,166

As at December 31, 2011 (audited)				
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	367,708	-	-	367,708
Collateralised debt obligations (CDOs)	-	-	44,194	44,194
Equity instruments	6,905	-	-	6,905
Bonds	4,641,033	857,742	5,605,453	11,104,228
Mutual funds	35,016	-	-	35,016
Government securities	1,847,763	1,141,628	241,639	3,231,030
Total Quoted	6,898,425	1,999,370	5,891,286	14,789,081
Unquoted:				
Equity instruments	180,423	-	483	180,906
Mutual funds	82,116	-	-	82,116
Total Unquoted	262,539	-	483	263,022
Total available for sale investments	7,160,964	1,999,370	5,891,769	15,052,103

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012** (continued)

8 Investment securities (continued)

At June 30, 2012 quoted bond investments include bonds with fair value AED 5,119,575 thousand (December 31, 2011: AED 4,687,545 thousand) in public sector companies.

The Bank hedges interest rate risk on investments through interest rate swaps and designates these either as fair value or cash flow hedges. The negative fair value of these interest rate swaps at June 30, 2012 was AED 453,750 thousand (December 31, 2011: negative fair value of AED 447,064 thousand). The hedge ineffectiveness gains and losses relating to these hedges are included in the condensed consolidated interim income statement under 'Net gains on dealing in derivatives' (Note 23).

The Bank enters into repurchase agreements whereby bonds are pledged and held by counter parties as collateral. The risks and rewards relating to the investments pledged remain with the Bank. The following table reflects the carrying value of these bonds and the associated financial liabilities:

	<u>As at June 30, 2012 (unaudited)</u>		<u>As at December 31, 2011 (audited)</u>	
	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Fair value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Repurchase agreements	<u>1,227,359</u>	<u>1,063,132</u>	<u>4,237,403</u>	<u>3,776,167</u>

Further, the Bank has also pledged investment securities with fair value amounting to AED 1,243,923 thousand (December 31, 2011 – AED 1,110,902 thousand) as collateral against margin calls. The risks and rewards relating to the investments pledged will remain with the Bank.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

9 Investment in associates

Name of associate	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Al Nokhitha Fund	61,183	56,298
ADCB MSCI U.A.E. Index Fund	28,140	25,519
	<hr/>	<hr/>
Carrying value	89,323	81,817
	<hr/> <hr/>	<hr/> <hr/>

Details of Bank's investment in associates are as follows:

Name of associate	Principal activities	Country of incorporation	Ownership Interest	
			June 30 2012	December 31 2011
(a) Al Nokhitha Fund	Investing in Equities listed on Abu Dhabi Exchange, Dubai Financial Market and in any other recognised stock exchanges of the GCC countries.	U.A.E.	22%	21%
(b) ADCB MSCI U.A.E. Index Fund	Investing in Equities listed on Abu Dhabi Exchange, Dubai Financial Market, Dubai International Financial Exchange determined by MSCI UAE Index ("Index Securities").	U.A.E.	28%	28%

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

9 Investment in associates (continued)

The latest available financial information in respect of the Bank's associates is as at and for the six month period ended June 30, 2012 for Al Nokhitha Fund and ADCB MSCI U.A.E. Index Fund as follows:

	AED'000
Total assets	378,626
Total liabilities	1,983
	<hr/>
Net assets	376,643
	<hr/> <hr/>
Bank's share in net assets of associates	89,323
	<hr/> <hr/>
Total interest and other operating income	37,284
	<hr/> <hr/>
Total profit for the period	34,073
	<hr/> <hr/>
Bank's share in profit of associates	7,506
	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

10 Investment properties

	Completed and in use AED'000	Under development AED'000	Total AED'000
As at January 1, 2011	215,609	73,583	289,192
Additions during the year	-	119,620	119,620
Decrease in fair value during the year	(7,798)	(4,102)	(11,900)
	<hr/>	<hr/>	<hr/>
As at January 1, 2012 (audited)	207,811	189,101	396,912
Additions during the period	-	74,404	74,404
Transfer from property and equipment	182,530	-	182,530
	<hr/>	<hr/>	<hr/>
As at June 30, 2012 (unaudited)	390,341	263,505	653,846
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Bank's investment properties are estimated by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Valuations are carried out by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Discounted cash flow techniques may be used to calculate fair value in certain situations where there have been no recent transactions using current external market inputs such as market rents and interest rates. The effective date of the last formal valuation is June 30, 2012.

The valuation methodologies considered by external valuers include

- a) Direct Comparable method : This method seeks to determine the value of the property from transactions of comparable properties
- b) Residual method : This method is used to assess the value of the property with a development potential where there is inadequate comparable evidence. This method is commonly used in the valuation of the site under development in the local market.

All investment properties of the Bank are located within the U.A.E.

During the period, the Bank has transferred a part of its property from property and equipment, net to investment properties following a change in the intention of use of the property. Accordingly, AED 182,530 thousand which represents the fair value of the property on the date of such change in intention has been transferred from property and equipment, net. This transaction being a non-cash transaction has not been reflected in the consolidated statement of cash flows.

The difference between the carrying value of the transferred property prior to transfer and its fair value amounting to AED 21,337 thousand has been accounted for as an impairment allowance on property and equipment (Note 24).

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

11 Other assets

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Interest receivable	935,978	859,898
Withholding tax	143,361	87,311
Prepayments	96,794	71,336
Acceptances	7,801,650	8,771,823
Others	234,736	231,126
	<u>9,212,519</u>	<u>10,021,494</u>

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the bank and are therefore recognised as a financial liability (Note 17) in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset. The Bank generally receives cash collateral against these acceptances.

12 Due to banks

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Current and demand deposits	523,014	574,271
Deposits - banks	1,590,471	2,516,115
	<u>2,113,485</u>	<u>3,090,386</u>

The Bank hedges certain inter bank deposits for interest rate and foreign currency exchange risk through cross currency swaps and designates these instruments as fair value hedges. The positive fair value of these cross currency swaps at June 30, 2012 was AED 1,918 thousand (December 31, 2011: positive fair value of AED 22, 578 thousand).

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012** (continued)

13 Euro commercial paper

The Bank established a USD 4 billion Euro commercial paper programme (the "ECP Programme ") for the issuance of Euro commercial paper under the agreement dated June 5, 2007 with Banc of America Securities Limited.

The Bank hedges ECP for foreign currency exchange risk through foreign exchange forward contracts and designates these instruments as cash flow hedges. The net negative fair value of these hedge contracts at June 30, 2012 was AED 64,334 thousand (December 31, 2011: Nil).

Refer Note 14 for the reclassification of Deposits from customers to Euro commercial paper.

14 Deposits from customers

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Call and demand deposits	26,872,982	24,274,344
Savings deposits	2,508,829	2,237,783
Time deposits	62,770,280	64,146,038
Murabaha deposits	9,030,675	9,201,851
Long term government deposits	449,569	458,940
Islamic deposits	9,615,025	8,851,869
	<u>111,247,360</u>	<u>109,170,825</u>

Islamic product related deposits include the following:

Product	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Wadiah – demand deposits	228,614	437,980
Mudaraba savings and term deposits	4,296,349	3,653,439
Wakala deposits	5,090,062	4,760,450
	<u>9,615,025</u>	<u>8,851,869</u>

An amount of AED 716,652 thousand of Euro commercial paper has been reclassified in the statement of financial position as at December 31, 2011 from Deposits from customers to Euro commercial paper to be consistent and comparable to current period's presentation.

The Bank hedges certain deposits from customer for interest rate and foreign currency exchange risk through cross currency swaps and foreign exchange contracts and designates these instruments as fair value or cash flow hedges. The net positive fair value of these hedge contracts at June 30, 2012 was AED 45,893 (December 31, 2011: positive fair value of AED7,198 thousand).

Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)

15 Short and medium term borrowings

The details of short and medium term borrowings as at June 30, 2012 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Hong Kong Dollar (HKD)	94,333	-	-	94,333
	Malaysian Ringitt (MYR)	-	-	1,244,348	1,244,348
	South African Rand (ZAR)	51,299	-	-	51,299
	Swiss Franc (CHF)	-	-	575,705	575,705
	Turkish Lira (TRY)	-	-	94,003	94,003
	U.A.E. Dirham (AED)	-	1,253,000	500,000	1,753,000
	US Dollar (US\$)	-	3,673,000	-	3,673,000
		145,632	4,926,000	2,414,056	7,485,688
Syndicated loans	US Dollar (US\$)	4,290,799	-	-	4,290,799
	Euro (EUR)	328,015	-	-	328,015
Sukuk financing notes	US Dollar (US\$)	-	-	1,836,500	1,836,500
Subordinated floating rate notes	US Dollar (US\$)	-	-	1,117,143	1,117,143
Tier 2 loan	U.A.E. Dirham (AED)	-	-	6,617,456	6,617,456
Borrowings through repurchase agreements	US Dollar (US\$)	1,349,622	721,745	-	2,071,367
	U.A.E. Dirham (AED)	1,349,995	-	-	1,349,995
		7,464,063	5,647,745	11,985,155	25,096,963
Fair value adjustment on short and medium term borrowings being hedged					255,922
					25,352,885

Included in short and medium term borrowings is AED 13,697,203 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at June 30, 2012 was AED 264,195 thousand.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

15 Short and medium term borrowings (continued)

The details of short and medium term borrowings as at December 31, 2011 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Australian Dollar (AUD)	72,126	-	-	72,126
	Hong Kong Dollar (HKD)	94,333	-	-	94,333
	Malaysian Ringitt (MYR)	-	-	871,027	871,027
	Slovak Koruna (SKK)	103,758	-	-	103,758
	South African Rand (ZAR)	51,299	-	-	51,299
	Swiss Franc (CHF)	-	-	575,705	575,705
	Turkish Lira (TRY)	-	-	94,003	94,003
	U.A.E. Dirham (AED)	-	1,253,000	-	1,253,000
	US Dollar (US\$)	-	3,673,000	-	3,673,000
		321,516	4,926,000	1,540,735	6,788,251
Syndicated loans	US Dollar (US\$)	3,789,801	3,739,849	-	7,529,650
	Euro (EUR)	328,015	-	-	328,015
Sukuk financing notes	US Dollar (US\$)	-	-	1,836,500	1,836,500
Subordinated floating rate notes	US Dollar (US\$)	-	-	1,172,789	1,172,789
Tier 2 loan	U.A.E. Dirham (AED)	-	-	6,617,456	6,617,456
Borrowings through repurchase agreements	US Dollar (US\$)	2,713,033	870,134	-	3,583,167
	U.A.E. Dirham (AED)	2,358,230	193,000	-	2,551,230
		9,510,595	9,728,983	11,167,480	30,407,058
Fair value adjustment on short and medium term borrowings being hedged					401,499
					30,808,557

Included in short and medium term borrowings is AED 9,049,767 thousand which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at December 31, 2011 was AED 394,000 thousand.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

15 Short and medium term borrowings (continued)

Interest on unsecured notes is payable quarterly and half yearly in arrears and the coupon rates as at June 30, 2012 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
HKD	3 months HIBOR offer rate plus 29 basis points	-	-
MYR	-	-	Fixed rate of 4.3% to 5.2% p.a.
ZAR	3 months JIBAR plus 41 basis points	-	-
CHF	-	-	Fixed rate of 3.01% p.a.
TRY	-	-	Fixed rate of 12.75% p.a.
AED	-	Fixed rate of 6% p.a.	Fixed rate of 6% p.a.
US\$	-	Fixed rate of 4.75% p.a.	-

Syndicated loans

Interest on the syndicated loans are payable as follows:

US\$: Monthly coupons in arrears with 25 basis points to 125 basis points over LIBOR and quarterly coupons with 27.5 basis points to 55 basis points.

EUR : Quarterly coupons in arrears with 110 basis points over EURIBOR.

Sukuk financing notes

The Sukuk carries an expected profit rate of 4.07% per annum payable semi annually.

Subordinated floating rate notes

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 110 basis points over 3 months LIBOR. The subordinated floating rate notes were obtained from financial institutions outside the U.A.E. and qualified as Tier 2 subordinated loan capital for the first 5 year period till 2011 and thereafter are amortised at the rate of 20% per annum until 2016 for capital adequacy calculation (Note 28). This has been approved by the Central Bank of the U.A.E.

Tier 2 loan

In March 2009, the Bank converted AED 6,617,456 thousand government deposits into Tier 2 qualifying loans. The Tier 2 qualifying loans will mature seven years from the date of the issue and interest is payable on a quarterly basis at a fixed rate of 4 percent per annum commencing March 31, 2009 for the first two years, 4.5 percent per annum for the third year, 5 percent per annum for the fourth year and 5.25 percent per annum for the remaining period. The terms also provide that the Bank will have a call option to repay the loans partially or fully at the end of five years from the date of issue. For regulatory purposes, the loans qualify as Tier 2 capital (Note 28).

Borrowings through repurchase agreements

Interest on borrowings through repurchase agreements are payable in quarterly coupons in arrears with 115 to 300 basis points over 3 months LIBOR and EIBOR and half yearly coupons in arrears with 86 to 300 basis points over 6 months LIBOR.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

16 Long term borrowings

Instrument	Currency	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Unsecured notes	U.A.E. Dirham (AED)	-	500,000
	Malaysian Ringitt (MYR)	473,706	473,706
	US Dollar (US\$)	257,110	73,460
		730,816	1,047,166
Fair value adjustment on long term borrowings being hedged		39,414	41,286
		770,230	1,088,452

Included in long term borrowings is AED 730,816 thousand (December 31, 2011 – AED 1,047,166 thousand) which have been hedged using interest rate and cross currency swaps. These swaps are designated as fair value hedges. The positive fair value of these swaps at June 30, 2012 was AED 43,267 thousand (December 31, 2011: positive fair value of AED 44,421 thousand).

Interest on unsecured notes is payable half yearly in arrears and the coupon rates as at June 30, 2012 (unaudited) are as follows:

Currency

Over 5 years

MYR

Fixed rate of 5.35% p.a.

US\$

Fixed rate of 5.1% to 5.3875% p.a.

Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)

17 Other liabilities

	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Interest payable	636,135	931,026
Employees' end of service benefits	203,793	179,824
Accounts payable and other creditors	142,405	973,519
Clearing payables	3,369	238
Deferred income	203,434	171,805
Acceptances (Note 11)	7,801,650	8,771,823
Others	821,486	875,332
	<u>9,812,272</u>	<u>11,903,567</u>

18 Share capital

	Authorised AED'000	Issued and fully paid		
		As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000	
Ordinary shares of AED 1 each	5,595,597	5,595,597	5,595,597	
	<u>5,595,597</u>	<u>5,595,597</u>	<u>5,595,597</u>	
	June 30, 2012 (unaudited)	December 31, 2011 (audited)		
	Number of shares	AED'000	Number of shares	AED'000
As of January 1	5,595,597,381	5,595,597	4,810,000,000	4,810,000
Shares issued on conversion of mandatory convertible securities	-	-	785,597,381	785,597
As at	<u>5,595,597,381</u>	<u>5,595,597</u>	<u>5,595,597,381</u>	<u>5,595,597</u>

In April 2011, the mandatory convertible securities ("MCS") with a nominal value of AED 4,800,000 thousand were converted into ordinary equity shares of the Bank. On conversion, 785,597,381 equity shares were issued at the conversion price of AED 6.11 per share. The difference between the nominal value of the shares and conversion price resulted in share premium.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

18 Share capital (continued)

Reconciliation of share premium is as follows:

	AED' 000
Nominal value of MCS	4,800,000
Less: Nominal value of shares issued on conversion of MCS	(785,597)
	<hr/>
Share premium	4,014,403
Less: Mandatory convertible securities – liability component	(144,482)
Less: Issue expenses of MCS	(21,635)
	<hr/>
Balance of share premium	<u>3,848,286</u>

As at June 30, 2012, Abu Dhabi Investment Council held 58.08% (December 31, 2011: 58.08 %) of the Bank's issued and fully paid up share capital.

Proposed dividends

Following the Annual General Meeting held on April 24, 2012, the Shareholders approved the distribution of proposed cash dividends of AED 1,119,119 thousand representing 20% of the paid up share capital for the year 2011 (For the year 2010 : Nil).

19 Capital notes

In February 2009, the Department of Finance, Government of Abu Dhabi subscribed for ADCB's Tier I regulatory capital notes with a principal amount of AED 4 billion (the "Notes").

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. Redemption is only at the option of the Bank. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes bear interest at the rate of 6% per annum payable semi-annually until February 2014, and a floating interest rate of 6 month EIBOR plus 2.3% per annum thereafter. However the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date ("Non-Payment Event").

If the Bank makes a non-payment election or a non-payment event occurs, then the Issuer will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Issuer ranking pari passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)

20 Interest income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Loans and advances to banks	58,467	56,696	133,834	121,462
Loans and advances to customers	1,787,581	1,622,821	3,435,443	3,321,312
Investment securities	120,778	77,646	225,415	130,585
	<u>1,966,826</u>	<u>1,757,163</u>	<u>3,794,692</u>	<u>3,573,359</u>

21 Interest expense (unaudited)

	3 months ended June 30		6 months ended June 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Deposits from banks	4,123	21,943	6,631	26,518
Deposits from customers	432,698	581,563	913,329	1,266,824
Debt securities issued and subordinated liabilities	110,151	77,242	227,375	188,124
Interest on mandatory convertible securities and long term notes	41,168	86,460	81,337	187,741
	<u>588,140</u>	<u>767,208</u>	<u>1,228,672</u>	<u>1,669,207</u>

22 Net fees and commission income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Fees and commission income				
Retail banking fees	173,001	158,637	344,921	344,834
Corporate banking fees	117,635	76,235	198,831	158,627
Brokerage fees	851	1,095	2,178	2,327
Fees from trust and other fiduciary activities	21,521	17,016	37,160	29,722
Other fees	6,327	11,745	27,744	24,094
	<u>319,335</u>	<u>264,728</u>	<u>610,834</u>	<u>559,604</u>
Total fees and commission income	319,335	264,728	610,834	559,604
Fees and commission expenses	(49,413)	(17,741)	(91,853)	(50,061)
	<u>269,922</u>	<u>246,987</u>	<u>518,981</u>	<u>509,543</u>
Net fees and commission income	269,922	246,987	518,981	509,543

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

23 Net trading income (unaudited)

	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Net gains on dealing in derivatives	18,238	44,798	76,885	106,975
Net gains from dealing in foreign currencies	39,340	36,770	78,334	73,210
Net gains from trading and investment securities	17,226	23,095	21,622	26,247
	<u>74,804</u>	<u>104,663</u>	<u>176,841</u>	<u>206,432</u>

24 Other impairment allowances (unaudited)

	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Impairment allowance on investment securities	8,755	-	8,020	3,673
Loss on credit default swaps	-	196,596	-	266,567
Impairment allowance on property and equipment	21,337	-	21,337	-
	<u>30,092</u>	<u>196,596</u>	<u>29,357</u>	<u>270,240</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

25 Earnings per share (unaudited)

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	<u>3 months ended June 30</u>		<u>6 months ended June 30</u>	
	2012	2011	2012	2011
Net profit for the period attributable to the equity holders of the Bank (AED'000)	733,282	1,334,943	1,533,512	1,909,343
Add: Interest on MCS for the period (AED'000)	-	4,826	-	25,564
Less: Capital notes coupon paid (AED'000)	-	-	(120,000)	(116,667)
Net adjusted profit for the period attributable to the equity holders of the Bank (AED'000) (a)	<u>733,282</u>	<u>1,339,769</u>	<u>1,413,512</u>	<u>1,818,240</u>
Weighted average number of shares in issue throughout the period (000's)	5,595,597	5,595,597	5,595,597	5,595,597
Less: Weighted average number of shares held on account of Employees' incentive plan (000's)	<u>(59,575)</u>	<u>(50,942)</u>	<u>(58,551)</u>	<u>(43,055)</u>
Weighted average number of equity shares used for calculating basic earnings per share (000's) (b)	5,536,022	5,544,655	5,537,046	5,552,542
Add: Weighted average number of shares held on account of Employees' incentive plan (000's)	<u>59,575</u>	<u>50,942</u>	<u>58,551</u>	<u>43,055</u>
Weighted average number of equity shares used for calculating diluted earnings per share (000's) (c)	<u>5,595,597</u>	<u>5,595,597</u>	<u>5,595,597</u>	<u>5,595,597</u>
Basic earnings per share (AED) (a)/(b)	<u>0.13</u>	<u>0.24</u>	<u>0.26</u>	<u>0.33</u>
Diluted earnings per share (AED) (a)/(c)	<u>0.13</u>	<u>0.24</u>	<u>0.25</u>	<u>0.32</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

26 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities at:

	June 30 2012 (unaudited) AED'000	December 31 2011 (audited) AED'000
Commitments on behalf of customers		
Letters of credit	4,379,902	4,049,791
Guarantees	10,689,882	9,806,027
Commitments to extend credit – Revocable	6,221,864	6,313,900
Commitments to extend credit – Irrevocable	4,221,952	5,688,356
Others	55,095	55,095
	<hr/>	<hr/>
	25,568,695	25,913,169
Others		
Commitments for future capital expenditure	125,506	274,887
Commitments to invest in investment securities	219,525	230,009
	<hr/>	<hr/>
	25,913,726	26,418,065
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)****27 Operating segments**

Effective April 1, 2011, the Bank introduced property management as a separate operating segment. This includes real estate and property management activities which on an aggregated basis meets the reporting threshold as a separate operating component and the results are reviewed regularly by the Bank's chief operating decision maker. Prior to April 1, 2011, these activities were included in corporate support along with other activities. The residual balance in corporate support after reclassification of real estate and property management activities is allocated to other operating segments in proportion to the segmental assets and prior period results have been reclassified to meet the new reporting requirement.

The Bank has four reportable segments, as described below, which are the Bank's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic divisions, the Bank Management Committee reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Bank's reportable segments

Wholesale banking - comprises of business banking, cash management, trade finance, corporate finance, investment banking, Indian operations, infrastructure and strategic client operations. It includes loans, deposits and other transactions and balances with corporate customers.

Consumer banking - comprises of consumer, retail, wealth management and Islamic operations. It includes loans, deposits and other transactions and balances with retail customers and corporate and private accounts of high networth individuals and funds management activities.

Investments and treasury - comprises of central treasury operations, management of the Bank's investment portfolio and interest rate, currency and commodity derivative portfolio. Investments and treasury undertakes the Bank's funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management and investing in liquid assets such as short-term placements and corporate and government debt securities and trading and corporate finance activities.

Property management - comprises of real estate management and engineering service operations of subsidiaries - Abu Dhabi Commercial Properties L.L.C., Abu Dhabi Commercial Engineering Services L.L.C., ADCB Real Estate Fund operations and rental income.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Management Executive Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**
27 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the six month period ended June 30, 2012 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	1,199,684	725,287	595,391	58,062	2,578,424
Non-interest income	316,718	250,434	128,156	79,361	774,669
Operating expenses	(663,980)	(265,095)	(78,587)	(34,830)	(1,042,492)
Operating profit before impairment allowances	852,422	710,626	644,960	102,593	2,310,601
Impairment allowance on loans and advances, net	(472,746)	(276,622)	-	-	(749,368)
Other impairment allowances	-	209	(8,229)	(21,337)	(29,357)
Share of profit of associates	7,506	-	-	-	7,506
Profit before taxation	387,182	434,213	636,731	81,256	1,539,382
Overseas income tax expense	-	(4,245)	-	-	(4,245)
Net profit for the period	387,182	429,968	636,731	81,256	1,535,137
Capital expenditure					143,760
As at June 30, 2012 (unaudited)					
Segment assets	59,770,746	74,137,911	46,225,929	662,537	180,797,123
Segment liabilities	32,738,101	47,319,853	77,996,441	8,196	158,062,591

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**
27 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the six month period ended June 30, 2011 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	1,062,860	480,513	365,299	52,657	1,961,329
Non-interest income	372,894	128,780	219,085	65,761	786,520
Operating expenses	(654,227)	(224,439)	(71,873)	(36,548)	(987,087)
Operating profit before impairment allowances	781,527	384,854	512,511	81,870	1,760,762
Impairment allowance on loans and advances, net	(653,081)	(410,612)	-	-	(1,063,693)
Other impairment allowances	-	-	(270,240)	-	(270,240)
Share of (loss)/profit of associates	(5,526)	181,376	-	-	175,850
Profit before taxation	122,920	155,618	242,271	81,870	602,679
Overseas income tax refund	-	972	-	-	972
Profit for the period	122,920	156,590	242,271	81,870	603,651
Net gain on sale of investment in associate	-	1,314,315	-	-	1,314,315
Net profit for the period	122,920	1,470,905	242,271	81,870	1,917,966
Capital expenditure					83,661
As at December 31, 2011 (audited)					
Segment assets	64,430,343	71,728,699	47,161,658	404,930	183,725,630
Segment liabilities	27,814,765	50,886,621	82,073,228	873,493	161,648,107

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**
27 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2012 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	595,572	450,394	304,198	33,108	1,383,272
Non-interest income	157,028	137,615	44,694	46,688	386,025
Operating expenses	(340,833)	(134,716)	(42,732)	(18,641)	(536,922)
Operating profit before impairment allowances	411,767	453,293	306,160	61,155	1,232,375
Impairment allowance on loans and advances, net	(315,277)	(146,655)	-	-	(461,932)
Other impairment allowances	-	209	(8,964)	(21,337)	(30,092)
Share of loss of associates	(4,591)	-	-	-	(4,591)
Profit before taxation	91,899	306,847	297,196	39,818	735,760
Overseas income tax expense	-	(2,621)	-	-	(2,621)
Net profit for the period	<u>91,899</u>	<u>304,226</u>	<u>297,196</u>	<u>39,818</u>	<u>733,139</u>
Capital expenditure					<u>89,610</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**
27 Operating segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three month period ended June 30, 2011 (unaudited):

	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
Net interest and Islamic financing income	540,652	241,687	226,259	27,051	1,035,649
Non-interest income	188,362	22,196	143,833	31,814	386,205
Operating expenses	(361,617)	(137,831)	(40,857)	(19,704)	(560,009)
Operating profit before impairment allowances	367,397	126,052	329,235	39,161	861,845
Impairment allowance on loans and advances, net	(374,266)	(363,928)	-	-	(738,194)
Other impairment allowances	-	-	(196,596)	-	(196,596)
Share of profit of associates	3,363	88,111	-	-	91,474
(Loss)/profit before taxation	(3,506)	(149,765)	132,639	39,161	18,529
Overseas income tax refund	-	2,562	-	-	2,562
(Loss)/profit for the period	(3,506)	(147,203)	132,639	39,161	21,091
Net gain on sale of investment in associate	-	1,314,315	-	-	1,314,315
Net (loss)/profit for the period	(3,506)	1,167,112	132,639	39,161	1,335,406
Capital expenditure					46,968

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

27 Operating segments (continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments.
- all liabilities are allocated to reportable segments.

Other disclosures

The following is the analysis of the total operating income of each segment between income from external parties and inter-segment.

Six month period ended June 30, 2012 (unaudited)	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
External	<u>2,250,573</u>	<u>1,243,710</u>	<u>(220,551)</u>	<u>79,361</u>	<u>3,353,093</u>
Inter-segment	<u>(734,171)</u>	<u>(267,989)</u>	<u>944,098</u>	<u>58,062</u>	<u>-</u>
Six month period ended June 30, 2011 (unaudited)					
External	<u>2,335,848</u>	<u>714,583</u>	<u>(367,536)</u>	<u>64,954</u>	<u>2,747,849</u>
Inter-segment	<u>(900,094)</u>	<u>(105,290)</u>	<u>951,920</u>	<u>53,464</u>	<u>-</u>
Three month period ended June 30, 2012 (unaudited)	Consumer banking AED' 000	Wholesale banking AED' 000	Investments and treasury AED' 000	Property management AED'000	Total AED' 000
External	<u>1,110,557</u>	<u>725,645</u>	<u>(113,593)</u>	<u>46,688</u>	<u>1,769,297</u>
Inter-segment	<u>(357,957)</u>	<u>(137,636)</u>	<u>462,485</u>	<u>33,108</u>	<u>-</u>
Three month period ended June 30, 2011 (unaudited)					
External	<u>1,166,675</u>	<u>324,498</u>	<u>(100,818)</u>	<u>31,499</u>	<u>1,421,854</u>
Inter-segment	<u>(437,661)</u>	<u>(60,615)</u>	<u>470,910</u>	<u>27,366</u>	<u>-</u>

Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)

27 Operating segments (continued)

Geographical information

The Bank operates in two principal geographic areas that is Domestic and International. The United Arab Emirates is designated as Domestic area which represents the operations of the Bank that originates from the U.A.E. branches and subsidiaries; and International area represents the operations of the Bank that originates from its branches in India and through its subsidiaries and associate outside U.A.E. The Bank's operations and information about its segment assets (non-current assets excluding investments in associates and other financial instruments) by geographical location are detailed as follows:

	Domestic (unaudited)		International (unaudited)	
	6 months ended		6 months ended	
	June 30 2012 AED'000	June 30 2011 AED'000	June 30 2012 AED'000	June 30 2011 AED'000
Income				
Net interest and Islamic financing income	2,562,491	1,948,594	15,933	12,735
Non-interest income	773,198	860,138	1,471	(73,618)
Share of (loss)/ profit of associates	7,506	(5,526)	-	181,376
Net gain from sale of investment in associate	-	-	-	1,314,315
	Domestic (unaudited)		International (unaudited)	
	3 months ended		3 months ended	
	June 30 2012 AED'000	June 30 2011 AED'000	June 30 2012 AED'000	June 30 2011 AED'000
Income				
Net interest and Islamic financing income	1,375,595	1,028,722	7,677	6,927
Non-interest income	386,300	459,840	(275)	(73,635)
Share of profit/(loss) of associates	(4,591)	3,363	-	88,111
Net gain from sale of investment in associate	-	-	-	1,314,315
	Domestic		International	
	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000	As at June 30 2012 (unaudited) AED'000	As at December 31 2011 (audited) AED'000
Non-current assets				
Investment properties	653,846	396,912	-	-
Property and equipment, net	758,589	958,491	5,987	6,027
Intangible assets	107,889	123,653	-	-

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)**

28 Capital adequacy

The ratio calculated in accordance with Basel II is as follows:

	Basel II	
	As at June 30, 2012 (unaudited) AED'000	As at December 31, 2011 (audited) AED'000
Tier 1 capital		
Share capital	5,595,597	5,595,597
Share premium	3,848,286	3,848,286
Statutory and legal reserves	3,309,351	3,309,351
General and contingency reserves	2,150,000	2,150,000
Employees' incentive plan shares, net	(118,751)	(104,595)
Foreign currency translation reserve	(36,940)	(27,521)
Retained earnings and other reserves	3,979,847	3,300,888
Non-controlling interests in equity of subsidiaries	7,142	5,517
Capital notes (Note 19)	4,000,000	4,000,000
Less: Investment in associates (50%)	(44,662)	(40,909)
Less: Intangible assets	(107,889)	(123,653)
Less: Securitization exposures (due to rating migration)	(27,548)	(38,350)
	22,554,433	21,874,611
Tier 2 capital		
Collective impairment allowance on loans and advances	1,649,010	1,621,328
Tier 2 loan (Note 15)	6,617,456	6,617,456
Subordinated floating rate notes (Note 15)	670,286	938,231
Less: Investment in associates (50%)	(44,661)	(40,908)
Less: Securitization exposures (due to rating migration)	(27,548)	(38,350)
	8,864,543	9,097,757
Total regulatory capital	31,418,976	30,972,368
Risk-weighted assets:		
Credit risk	131,920,762	129,706,214
Market risk	2,203,396	2,103,768
Operational risk	6,526,611	5,805,137
Total risk-weighted assets	140,650,769	137,615,119
Total Capital adequacy ratio	22.34%	22.51%
Tier 1 ratio	16.04%	15.90%
Tier 2 ratio	6.30%	6.61%

The capital adequacy ratio was above the minimum requirement of 12% for June 30, 2012 (December 31, 2011 – 12%) stipulated by the U.A.E. Central Bank.

**Notes to the condensed consolidated interim financial information
for the six month period ended June 30, 2012 (continued)****29 Legal proceedings**

The Bank is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Bank's condensed consolidated interim financial information if disposed unfavorably.

30 Approval of financial statements

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on July 24, 2012.